Department of Housing and Economic Development
2012 Budget Message
Commissioner Andrew J. Mooney
Monday, Oct. 22, 2012

Thank you for the opportunity to present the Department of Housing and Economic Development (HED) budget request for 2013.

As you know, HED is completing its second year directing the City of Chicago's affordable housing, economic development, and land use planning initiatives, and I'd like to use my time today to recap 2012 and to highlight our goals and expectations for 2013.

I'll specifically address the efforts we're making to both refine and expand our most successful initiatives involving neighborhood stabilization, housing, business and workforce development, and other community-based programs and projects.

All of these efforts are moving forward within the context of the City's "Plan for Economic Growth & Jobs," the City's five-year "Affordable Housing Plan," and other plans that support quality-of-life improvements in local neighborhoods.

First, an overview. As you know the Mayor has challenged us all to do more with less, and to do so more efficiently. That's why, even though at 228 positions our department will have 6% fewer staff than this year, we are confident that we can continue to provide the services at the level of quality required of us.

Our total budget for 2013 also reflects an overall 40% cut year-over-year, almost entirely due to programmatic funding cutbacks at the federal level. This will make our work more difficult, but also inspires us to use the funding we have more strategically and with more focused impact.

At the neighborhood level, the department's resources are squarely directed at the lingering effects of the recent recession. Chicago was hit harder than most cities by the twin challenges of foreclosures and unemployment. While each is playing out in its own way, the city is using all the resources and authority it does have to respond.

Let's start with an update on our housing initiatives.

We must recognize that the foreclosure problem is not going away anytime soon. More than 9,922 Chicago properties were subject to foreclosure filings in the first half of 2012, which is almost an identical amount to the same period in 2011. These largely involve mortgages that date from 2005 to 2007, but there are a significant number of older mortgages involved as well. This suggests that the economic downturn is catching up to homeowners who had more conventional, government backed mortgages of earlier years.

While the foreclosure issue is a national crisis, and requires a national response, the City has been taking aggressive actions of its own to try to keep people in their homes, or to re-occupy units once they are vacant or abandoned.

In 2013, despite all our funding limitations, the City is doubling the amount it will make available for housing counseling. In total, we are allocating approximately $17 million to housing preservation efforts, including counseling, and nearly $50 million to bring vacant units back into productive use.

I am pleased to report that we have already made some progress. As you know, our Micro Market Recovery Program kicked off in August 2011 to focus City resources in nine neighborhoods suffering from severe foreclosure-related disinvestment. While we hope to expand the program in 2013, we have already reached 60 percent toward our goal of assisting 2,500 units within the first three years of the effort.

Our targets in MMRP are vacant or abandoned buildings. Our partners include several not-for-profit capital investment groups and the MacArthur Foundation who are providing funds to help get these buildings rehabbed and into new owners' hands. We will also be working with the Cook County courts and the state legislature on new ways to get properties back into use more quickly once they've been foreclosed, while we simultaneously establish a process to acquire, hold, and sell buildings on a selective basis to qualified owners.

One of the new tools in our arsenal is the TIF Purchase Rehab program the Council approved in 2012 that provides forgivable loans for the rehabilitation and reoccupation of one- to four-unit buildings. The loans don't have to be repaid, provided the homebuyer lives in the property for a period of five to 10 years. The program is starting in Humboldt Park with a $1 million allocation and we hope to expand it to other areas in the months ahead.

Council also approved a multi-family version of the program, which covers up to 50 percent of the cost to acquire and rehabilitate buildings containing five or more rental units, 50 percent of which would be rented to income-qualified families. A pilot version will start in Lawndale before being expanded to other community areas.

Of course, in order to avoid foreclosures, we continue to provide homeownership counseling through our neighborhood-based delegate agencies, a program we will be expanding in 2013.

And we are working to support eligible homeowners with repair and rehabilitation projects, specifically through the TIF-funded Neighborhood Improvement Program. As you know, we're expanding that program to include energy-saving retrofits. Proposed by the Mayor's Innovation Delivery Team, the expansion will make TIF funds available for air sealing, roof insulation, and new heating equipment, which will lower operating costs and help stabilize an owner's finances. Until now grants were used almost exclusively for exterior repairs.

In addition to single-family households, I'd like to mention our work with multi-family structures that are threatened by the foreclosure crisis. We intervene where possible, especially through our Troubled Buildings Initiative, which puts foreclosure-threatened buildings in the hands of receivers. So far in 2012 we have preserved more than 1400 units through TBI.

When tenants get forced out of foreclosed apartment buildings, some will turn to one of HED's in-house non-profits, the Chicago Low Income Housing Trust Fund. As the largest rental subsidy program of its type in the nation, the Trust Fund is committing more than $18 million in rental assistance to very low-income families in 2,643 units of housing throughout the city. Approximately 40 percent of the subsidies involve formerly homeless families, people with HIV/AIDS, female-headed households, and veterans.

Overall, our housing commitments in 2012 will support more than 6,000 rental units through construction and rehabilitation loans and through rental subsidies. Some of the projects that opened this year include the 60-unit Enola Dew Senior Apartments in Austin; the 80-unit Hope Manor veterans' apartments in Humboldt Park; and the 137-unit Park Douglas apartments in North Lawndale.

In 2013, our affordable housing efforts will be highlighted by the start-up of a number of new projects made possible through loans, fee waivers, and donations tax credits. They include the 98-unit Autumn Green at Midway Village in West Lawn, the 48-unit mixed-use Oakwood Shores Terraces in Oakwood, and the Diplomat Hotel in Lakeview.

All these projects, like affordable housing projects in general, are characterized by multiple funding sources, including Low-Income Housing Tax Credits. Earlier this year we announced the deployment of approximately $230 million in Tax Credits to over 3,100 units of multi-family housing to be built over the next five years.

Our active multi-family projects involve more than $770 million in construction financing, including the 96-unit Shops and Lofts project in Bronzeville and the 132-unit Lakefront Phase II project in Oakland.

As you know, we keep a very close eye on minority and women participation in all the projects we fund and I am pleased to report that of the 23 projects we've closed out so far this year, worth $312 million, 30% of the dollars went to minority-owned firms and 6% to women-owned firms.

Let's turn our attention now to the economy. Unemployment has been the second challenge for us coming out of the recession. While the employment figures have certainly improved this year, with Chicago's recovery at twice the pace of any other large city, we must become very strategic about improving the fundamentals for our own economic growth.

That's the impetus of the *Plan for Economic Growth and Jobs* released earlier this year, which serves as a blueprint for our Department's efforts. The Plan marries up the city's assets with the most promising trends in the economy, giving us a good sense of where we need to invest our human and financial resources, including TIF, in the coming years.

The very good news is that Chicago is emerging from the recession as an attractor to businesses. Since assuming office, Mayor Emanuel has announced over 20,000 jobs that are either coming to or expanding in the city. In 2012, our Department has asked for the Council's approval of various forms of assistance to development projects that produced approximately 5,000 jobs. Many of these were for smaller, ma-and-pa companies who provide so many low- and mid-skill job opportunities to Chicago residents.

So, in addition to the major headlines that involve corporate relocations, such as Hillshire Brands and JMC Steel, the city has been instrumental in business expansion projects that anchor our neighborhoods. As just one example, TIF is supporting a new manufacturing facility to be built in the Stockyards by Cedar Concepts, the only African-American, woman-owned chemical company in the country.

The TIF-funded Small Business Improvement Fund, which has financed improvements to hundreds of industrial, commercial and retail buildings throughout Chicago, will assist over 200 properties this year with matching grants up to $150,000.

But TIF is just one of several development tools that we use to spur investment. Another major resource is New Markets Tax Credits, which helped expand Swedish Covenant Hospital in Lincoln Square and which allowed Truong Enterprises to build a new facility in Bridgeport this year.

On a different front, we will be making a key change to our workforce development program in 2013. As you know, job training is the critical link between human potential and economic opportunity. This initiative will make sure more businesses, and more areas of the city, have opportunities to make that connection.

We aim to expand the TIFWorks jobs training program from 79 TIF districts to all active districts in the City, and to expand eligible costs to include entrepreneurial skills training for business owners, and modest facility upgrades, such as refurbished storefronts, for newly trained retailers.

Assistance amounts will continue to range up to $5,000 per worker, or $10,000 per business that participates in multi-employer training, over a nine-month period.

We will also continue to utilize property tax incentives, which enable building improvement and business expansion projects throughout the city. Projects in 2012 include the Virgin Hotel downtown, Apollo Plastics in Jefferson Park, and Vosges Chocolate in North Center.

All these projects underscore what I said earlier about Chicago's attractiveness to business. But they also suggest that we need to re-double our efforts with the wide variety of delegate agencies that support our citywide housing and economic development goals at the local level.

Even with all the demands on the city's resources we believe the delegate agencies provide an essential network that the city itself could not replicate. We are therefore providing $8.8 million in the 2013 budget to 143 agencies for specific work plans that involve either housing or business services.

The delegate agencies provide critical support for many neighborhood efforts, especially involving jobs. For example, we know that our local industrial councils and commercial services organizations were directly involved in creating or retaining 2,526 jobs so far this year, in projects that attracted over $68 million in total new investment.

Neighborhoods remain at the heart of all HED's efforts, but none more than our zoning, strategic planning and land use endeavors. Before I close, I would like to relate some current and future plans to promote development in our neighborhoods.

We are now working on several policy reviews that we know are important to the Council, including a broad look at the 15 Planned Manufacturing Districts (PMDs) in the city; the future of neighborhood retail; new zoning classifications related to transit-oriented development (ToD); and what we should do to get city-owned land in the neighborhoods back into private hands. We will be back to you with the results of these reviews in the first half of 2013.

In addition, we will be coming to you with a report on Chicago's industrial sector, as well as new ideas about the Open Space Impact Fee.

And while we're beginning to re-think how we go about the planning task, we will also be completing a number of key neighborhood analyses in 2013, including studies that involve: a portion of 63rd Street in Greater Grand Crossing; the six-corners intersection in Portage Park; Broadway Avenue in Uptown and Edgewater; a land use plan for Greater Englewood, Washington Park, and Woodlawn; and a citywide food plan to promote healthier consumer habits and lifestyles.

I must mention that project review is a huge part of our daily work because every project, no matter where it's located, starts with zoning. By the end of the year, we'll have reviewed more than 21,000 applications for zoning compliance, hundreds more for proposed zoning changes, and 67 Planned Development proposals.

In closing, I would make the observation that even though we still have a long road to travel out of the recession, we have made considerable progress on both the housing and economic development fronts. We have been able to do so in no small part because of the leadership and collaboration that members of the City Council have shown toward our Department, for which we are very grateful. Our mutual challenges remain significant, but by working together, and by renewing our Department's effectiveness and accountability, I have great hope for the future.

We appreciate your ideas, your input, and your continued partnership in the months to come. Thank you.

Department Name 2013 Budget Hearing

HOUSING AND ECONOMIC DEVELOPMENT (054)

MBE/WBE Data

Period: End of 3RD QUARTER 2012

Total Purchases & Construction Opportunities: $322,312,745.65

	MBE	WBE	Total MBE/WBE Purchases
White	n/a	$14,097,687.69 (4.4%)	$14,097,687.69 (4.4%)
Asian	$7,375,904.16 (2.3%)	$0 (0%)	$7,375,904.16 (2.3%)
African-American	$53,245,571.05 (16.5%)	$4,033,453.13 (1.3%)	$57,279,024.18 (17.8%)
Hispanic	$31,154,918.67 (9.7%)	$2,190,133.68 (.7%)	$33,345,052.35 (10.4%)
Other	$610,357 (0.2%)	$143,029.04 (0.04%)	$753,386.04 (0.24%)
Unknown	$4,828,814.10 (1.5%)	$1,029,157.32 (0.3%)	$5,857,971.42 (1.8%)
Total Spending	$97,215,564.98 (30.16%)	$21,493,460.86 (6.67%)	$118,709,025.84 (36.83%)

Note: Construction projects closed in 2012 through September 30, 2012.

Staffing Data

Department Ethnicity and Gender				
	Male	Female	Total	%
Asian	5	4	9	4.2
Black	18	57	75	35.2
Hispanic	17	26	43	20.2
White	45	41	86	40.4
Total	85	128	213	
	39.9%	60.1%		

New Hires Ethnicity and Gender				
	Male	Female	Total	%
Asian	0	0	0	0
Black	0	1	1	14.3
Hispanic	0	1	1	14.3
White	4	1	5	71.4
Total	4	3	7	
	57.1%	42.9%		

Department Managers Ethnicity and Gender				
	Male	Female	Total	%
Asian	0	1	1	2.6
Black	6	2	8	21.1
Hispanic	2	2	4	10.5
White	13	12	25	65.8
Total	21	17	38	
	55.3%	44.7%		

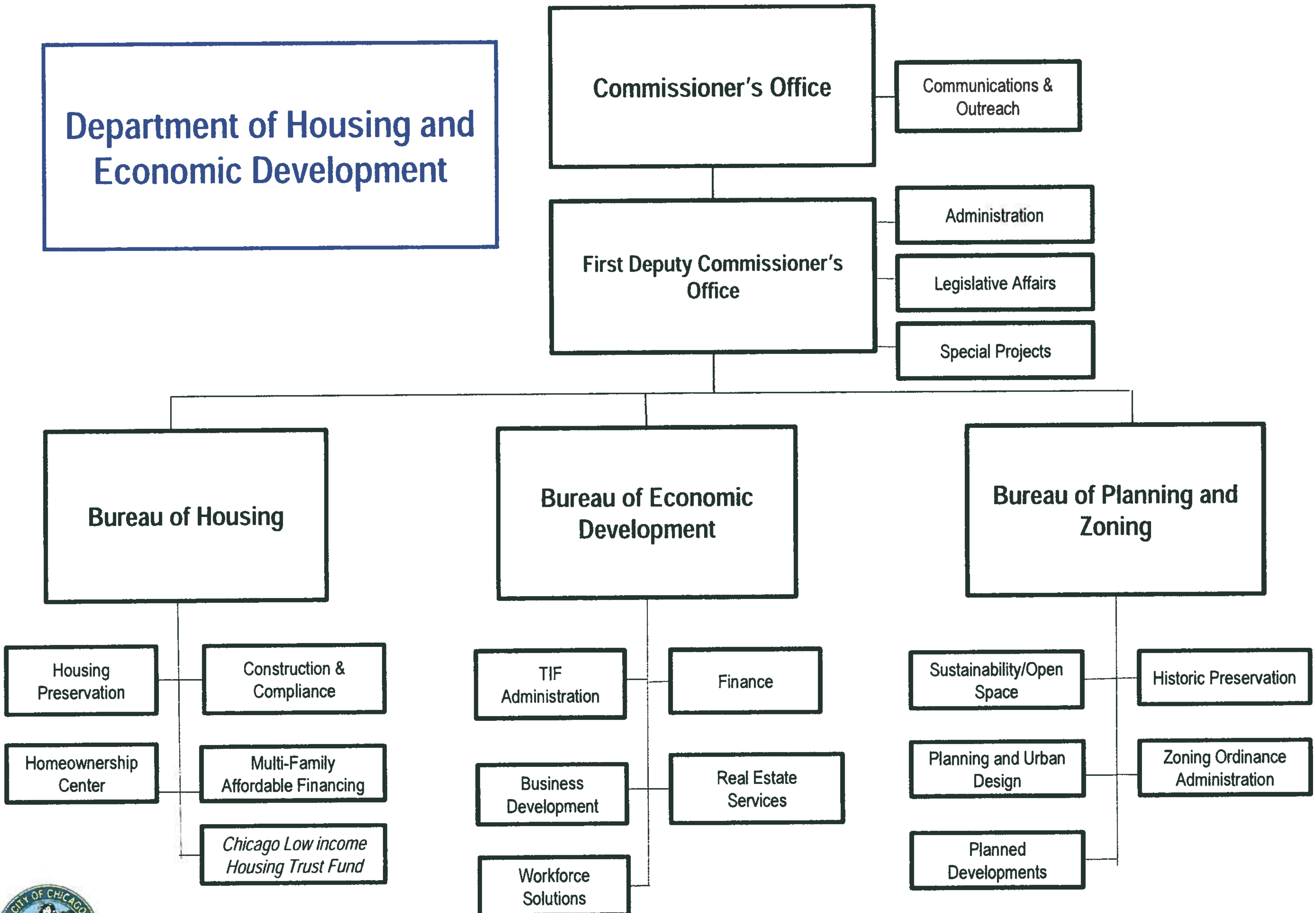
Interns

School	Gender	Race
University of Illinois at Urbana Champaign	F	W
University of Chicago	M	W
Depaul University	F	B

Department Name 2013 Budget Hearing

Loyola University of Chicago	M	W
University of California, LA	F	W
Depaul University	M	A
Depaul University	F	A
Devry	M	B
Chicago State University	F	B
University of Vermont	M	W
University of Michigan	M	W
University of Illinois at Chicago	F	W
University of Illinois at Urban Champaign	M	H
University of Madison at Madison	F	W
George Washington University , DC	F	W
Depaul University	F	B

Department of Housing and Economic Development



City of Chicago